

ASSEMBLY BILL

No. 831

Introduced by Assembly Member Parra

February 22, 2007

An act to amend Section 13305 of, and to add Section 13305.5 to, the Government Code, relating to tax expenditures.

LEGISLATIVE COUNSEL'S DIGEST

AB 831, as introduced, Parra. State government: tax expenditure measures and reports.

Existing law requires the Department of Finance to provide an annual report to the Legislature on tax expenditures, containing specified information.

This bill would modify that provision to also require the Legislature, on or before July 1, 2009, and on or before each July of each 10th year thereafter, to review all of the tax expenditures, as provided, and repeal those tax expenditures that do not advance or serve a public purpose, as specified.

This bill would also require that each legislative measure creating a tax expenditure, as defined, provide for only one tax expenditure and include a factual statement of the public purpose advanced or served by that expenditure.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 13305 of the Government Code is
2 amended to read:

1 13305. (a) The department shall provide an annual report to
2 the Legislature on tax expenditures by no later than September 15
3 of each year. The report shall include each of the following:

4 (1) A comprehensive list of tax expenditures exceeding five
5 million dollars (\$5,000,000) in annual cost.

6 (2) The statutory authority for each credit, deduction, exclusion,
7 exemption, or any other tax benefit as provided by state law.

8 (3) A description of the legislative intent for each tax
9 expenditure, if the act adding or amending the expenditure contains
10 legislative findings and declarations of that intent, or that legislative
11 intent is otherwise expressed or specified by that act.

12 (4) The sunset date of each credit, deduction, exclusion,
13 exemption, or any other tax benefit as provided by state law, if
14 applicable.

15 (5) A brief description of the beneficiaries of the credit,
16 deduction, exclusion, exemption, or other tax benefit as provided
17 by state law.

18 (6) An estimate or range of estimates for the state and local
19 revenue loss for the current fiscal year and the two subsequent
20 fiscal years. For sales and use tax expenditures, this would include
21 partial year exemptions and all other tax expenditures when the
22 State Board of Equalization has obtained that information.

23 (7) For personal income tax expenditures, the number of
24 taxpayers affected and returns filed, as applicable, for the most
25 recent tax year for which full year data is available.

26 (8) For corporation tax and sales and use tax expenditures, the
27 number of returns filed or business entities affected, as applicable,
28 for the most recent tax year for which full year data is available.

29 (9) A listing of any comparable federal tax benefit, if any.

30 (10) A description of any tax expenditure evaluation or
31 compilation of information completed by any state agency since
32 the last report made under this section.

33 (b) For purposes of this section, “tax expenditure” means a
34 credit, deduction, exclusion, exemption, or any other tax benefit
35 as provided for by the state.

36 (c) (1) *On or before July 1, 2009, and on or before each July*
37 *1 of each 10th year thereafter, the Legislature shall review all of*
38 *the tax expenditures that have been in existence since January 1,*
39 *2008, and shall repeal any provisions of law that provide for tax*

1 *expenditures if it is determined that the expenditure does not do*
2 *either of the following:*

3 (A) *Advance a public purpose or policy.*

4 (B) *Serve a public purpose or policy.*

5 (2) *This subdivision shall not apply to tax expenditures related*
6 *to food, prescription drugs, health services, or residential rent.*

7 (d) *For purposes of this section, "tax expenditure" means a*
8 *credit, deduction, exclusion, exemption, or any other tax benefit*
9 *as provided for by state law.*

10 ~~(e)~~

11 (e) *This section shall become operative on January 1, 2007.*

12 SEC. 2. Section 13305.5 is added to the Government Code, to
13 read:

14 13305.5. Effective January 1, 2008, any legislative measure
15 creating a tax expenditure, as defined in Section 13305, shall meet
16 both of the following requirements:

17 (a) *The measure may only provide for a single tax expenditure.*

18 (b) *The measure shall include a factual statement of the public*
19 *purpose or policy that is to be advanced or served by the*
20 *expenditure.*